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C O N F I D E N T I A L MONTEVIDEO 000649

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FOR WHA DAS CHRIS MCMULLEN
WHA/BSC FOR MARY DASCHBACH

E.O. 12958: DECL: 11/09/2018
TAGS: [PGOV](#) [PREL](#) [ECON](#) [SNAR](#) [UY](#)
SUBJECT: WHA DAS MCMULLEN STRESSES VALUE OF BILATERAL
RELATIONSHIP IN URUGUAY

REF: MONTEVIDEO 449

Summary

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11. (U) The October 27-30 visit of WHA DAS Christopher McMullen to Uruguay reaffirmed to the GOU and ordinary Uruguayans the importance of the U.S.-Uruguay bilateral relationship. McMullen came to Uruguay accompanying DOD DAS for Western Hemisphere Affairs Stephen Johnson, who was following up a July meeting between GOU Minister of Defense Jose Bayardi and Secretary Gates in Washington. Meetings with the minister of defense focused on Haiti, counter-narcotics cooperation; and UNSASUR. McMullen also met with high-level GOU officials, Uruguayan businesspeople, analysts, and held several events with the local press. During a ceremony at the home of internationally renowned artist Carlos Paez Vilaro, McMullen accepted a painting commemorating the events of 9/11 on behalf of the Fire Department of New York, and he announced a 50,000 dollar donation for English language micro-scholarships to benefit underprivileged Uruguayan secondary school students. At each meeting, McMullen and Ambassador Baxter pushed our core theme: the value of partnership with the U.S. on all levels, including regional issues. The visit generated significant positive media coverage. End Summary.

Defense Talks

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12. (SBU) Johnson, McMullen, and Ambassador Baxter met October 28 for several hours with Minister Bayardi, Vice Minister Jorge Menendez, and a number of the minister's closest aides. The conversation focused on Haiti, counter-narcotics cooperation, and UNASUR.

13. (C) Regarding Haiti, MINUSTAH is the principal peacekeeping deployment for Uruguay, and GOU officials offered a number of suggestions for improving the mission's effectiveness and Haiti's overall situation. Bayardi stressed that Haiti needs more institutional development, which will require a continuing international commitment. He said that the U.S. and EU should offer a special package of trade incentives to Haiti, and that countries offering assistance should limit themselves to one or two specific areas (e.g. roads, communications, potable water) so that projects get done well. Bayardi expressed unhappiness with USG deportations to Haiti of Haitian citizens who committed crimes in the U.S., saying that Haiti lacks the capacity to absorb "even 100 returning prisoners." Johnson congratulated Uruguay on undertaking a new anti-smuggling/port security role (Uruguay is taking possession of 16 Boston Whaler patrol boats), and Vice Minister Menendez noted that Uruguay understands the risks involved. Bayardi made a mission-specific request that we establish a means for

Uruguayan forces to liaise with the USCG, which has responsibility for vessel interdiction outside 12 miles.

¶4. (SBU) On counter-narcotics cooperation, Johnson mentioned the possibility of Uruguayan coordination with the USCG in Florida. Both Bayardi and Menendez emphasized that the only Uruguayan armed forces involved in counter-narcotics work are the Prefectura (Coast Guard) and airport police, and any training assistance should be directed at those bodies. Bayardi expressed a guarded interest in any information the U.S. could provide to assist Uruguay's counter-narcotics efforts. He said that Uruguay's overall strategy is to focus on tightening border controls to deter any product heading for the domestic market and also so that Uruguay becomes a less appealing transit point.

¶5. (C) About UNASUR, Bayardi said it should develop as a consultative body for collaboration, not a military organization, and that it should not be a "NATO for South America," but rather more like the OAS or UN. Bayardi was adamant that UNASUR remain a consensus-based body. He also explained Uruguay's opposition to the nomination of former Argentine President Nestor Kirchner to head the organization, citing Argentina's blockade of river crossings into Uruguay over a pulp mill located in Uruguay and the opacity of the nominating process. Bayardi also said an ex-president would bring too high a profile to the role. Bayardi commented that the Bolivian crisis appeared to be subsiding and should be left for the Bolivians themselves to resolve.

¶6. (U) Johnson and McMullen also toured Uruguay's peacekeeping operations training center. Uruguay is proud of its peacekeeping record, which includes having the world's

most peacekeepers in the field on a per-capita basis (and eighth-largest number overall). Uruguay currently has more than 10 percent of its armed forces, or 2670 individuals, deployed on twelve peacekeeping missions around the world. Seventy-five percent of Uruguay's army officers have PKO experience, as do two-thirds of its NCOs.

MFA and Congressmen on Working Together in the Region

¶7. (C) During an October 29 meeting with acting Foreign Minister Pedro Vaz, McMullen and Ambassador Baxter pointed out that opportunities abound for fruitful cooperation on regional issues. On Paraguay, Vaz emphasized that President Lugo is a leader who President Vazquez and FM Fernandez really want to help. McMullen explained that the U.S. is interested in working with Uruguay and Brazil to that end, as all three countries have an interest in a stable, friendly, and prosperous Paraguay, and Uruguay and Brazil have a better understanding of Paraguay's unique circumstances than does the USG. McMullen also described a USD 10 million aid package that President Bush announced during his October 27 meeting with Lugo. This new assistance focuses on Lugo's two top priorities: job creation and public health. Vaz agreed that it would make sense to collaborate on Paraguay, as Uruguay and Paraguay have a very close political relationship. He also noted that the two countries have an almost non-existent economic/commercial relationship, stating that meant they are "good friends without interests."

¶8. (C) On Bolivia, Vaz expressed optimism that both sides gave a little ground in order to achieve a recent agreement, and described Uruguay's participation in the follow-up dialogue and in the ongoing investigation into killings in Pando Department. Active participation is the best way to support Bolivia, Vaz stated. Ambassador Baxter praised President Vazquez's leadership during the first UNASUR summit in Santiago, and McMullen mentioned some difficulties the USG has experienced in its dealings with the Morales administration. Vaz agreed that it was difficult to predict some of the actions of that administration, and said that Uruguay is in the same position as the U.S. with regard to Bolivia: "We're also just observers, and have no interests there except peace and democracy." Vaz asked about the

status of U.S. aid to Bolivia, and McMullen explained that circumstances such as the PNGing of Ambassador Goldberg and Morales' expulsion of the DEA and USAID from certain regions made it difficult to maintain levels of assistance, but the U.S. goal is to preserve options regarding Bolivia for the next U.S. president.

¶9. (C) McMullen also discussed regional issues with Alberto Perdomo, President of Uruguay's House of Representatives; with Jaime Trobo, Chair of Uruguay's House Foreign Affairs Committee. Perdomo and Trobo focused their discussion on their pessimism regarding the near-term prospects of Argentina and Bolivia. They agreed that any lasting solutions would have to originate within those countries.

Domestic Politics

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¶10. (SBU) McMullen and the DCM lunched October 29 with a group of political analysts: Oscar Bottinelli is the director of one of Uruguay's largest polling companies; Daniel Gianelli writes editorials for influential weekly Busqueda; Adolfo Garce is a university professor, and Constanza Moreira is Dean of the University of the Republic's School of Political Science. They gave McMullen a detailed summary of Uruguay's political history, focusing on the 1973-85 military dictatorship. When the discussion turned to Uruguay's future political direction, the analysts' consensus view was that the ruling Frente Amplio would win the next presidential elections, scheduled for October 2009. The analysts were not sanguine about the prospects of a U.S.-Uruguay partnership to deal with regional problems, particularly Bolivia.

Uruguay and the Global Economic Crisis

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¶11. (U) McMullen and Ambassador Baxter met October 29 with representatives of the Uruguayan-American Chamber of Commerce (AmCham). That meeting was hosted by AmCham CEO Daniel Ferrere and included senior representatives of U.S. companies 3M; Citibank; GE; Harrah's; Uruguay Mineral Exploration; and various former high-level officials now in private business. McMullen and the ambassador also met separately with incoming Central Bank President Mario Bergara, who was vice-minister

of the economy during most of the current administration, and with Umberto della Mea, the administration's nominee as Central Bank VP.

¶12. (U) Discussion of the effects on Uruguay of the global economic crisis dominated both meetings. All of McMullen's interlocutors agreed that Uruguay is much better positioned to face current headwinds than it was prior to the regional financial crisis of 2001-2002. They cited Uruguay's relatively solid banking system and diversification in export destinations (e.g. Brazil and Argentina now absorb around one-third of Uruguay's exports, compared to two-thirds in 2001) as the principal reasons for optimism in the face of the crisis. Bergara also stressed improvements in Uruguay's debt structure in recent years, noting that Uruguay has satisfied its financing needs until 2010. On the other hand, declining prices for Uruguayan export commodities such as beef, rice, wheat and soybeans, and domestic inflation of over seven percent year-to-date, moderate that optimism. Still, many of McMullen's interlocutors saw opportunity for Uruguay in the current crisis, noting that if Uruguay is able to come through relatively unscathed, its longtime campaign to differentiate itself from its neighbors and market itself as a haven of safety and stability in the region will be bolstered.

¶13. (U) Amcham members pressed McMullen on moving forward with a bilateral free trade agreement (FTA), with a number of participants lamenting the GOU's reluctance to fully embrace the idea in 2006, when this issue was last in the forefront of the bilateral relationship. Amcham members also stressed polling figures indicating that a high proportion of the Uruguayan population ("close to 70 percent) favors the idea

of an FTA with the U.S. McMullen agreed that there would be considerable utility in an FTA, but he also reminded listeners that we are only able to move forward at a pace acceptable to both governments. McMullen also briefed the group on the "Pathways to Prosperity in the Americas" initiative, which he noted was designed to generate greater synergies among countries that have FTAs with the U.S., and is also aimed at ensuring that the benefits of increased trade are shared by all sectors of society. McMullen added that the USG hopes that Brazil and Uruguay would be able to participate in the December 10 Pathways ministerial meeting in Panama.

A Public Diplomacy Success

¶14. (U) McMullen's visit generated significant positive media coverage. An interview with Busqueda resulted in a full-page story with a helpful headline stressing the U.S.'s willingness to work with Uruguay to assist Paraguayan President Lugo's government and to fight poverty in the region. McMullen also offered assurances that our policy toward Uruguay will not change with an incoming administration, and stressed that the USG is prepared to work with whomever wins Uruguay's next presidential elections in October 2009. Asked about the region, McMullen explained that the U.S. seeks to play a constructive role as Bolivia works through its problems, and characterized relations with Argentina as solid.

¶15. (U) McMullen and Ambassador Baxter traveled outside of Montevideo to the home of internationally acclaimed Uruguayan artist Carlos Paez Vilaro. Following the terrorist attacks of September 11, 2001, Vilaro had painted a large canvas honoring the actions of New York's firefighters that day, and he had expressed a desire to donate the work to the FDNY. In a ceremony covered by a number of national television, radio, and print journalists, McMullen -- surrounded by Uruguayan firefighters in full uniform -- accepted the painting on behalf of the FDNY, spoke for several minutes about the importance of the bilateral relationship, and announced USD 50,000 in micro-scholarships for English-language instruction for underprivileged Uruguayan secondary school students.

¶16. (U) McMullen and the ambassador next spoke with the press in short television interviews granted before taking a tour of economically underdeveloped areas in the Uruguayan Department of Maldonado. During those interviews, both the ambassador and McMullen stressed the USG's interest in understanding and combating the root causes of the social ills too often experienced in such areas.

Comment

¶17. (SBU) One of the quickest ways to the hearts of Uruguayan policymakers and ordinary citizens alike is a little high-level attention, and the Johnson/McMullen visit hit the spot. The very act of stressing the importance to the U.S. of this bilateral relationship deepens the relationship. Baxter